

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Mason	County Cass
Fiscal Year End 3/31/07	Opinion Date June 22, 2007	Date Audit Report Submitted to State July 11, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

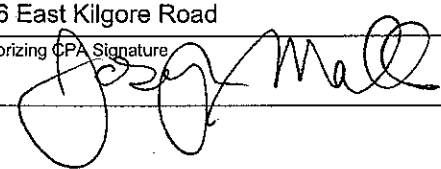
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No further communication required	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number 269.381.4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		Zip 49002	
Authorizing CPA Signature 		Printed Name Joseph M Walls, CPA	License Number 1101013696

*Township of Mason*  
*Cass County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2007*

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## CONTENTS

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	Page
<b>INDEPENDENT AUDITORS' REPORT</b>	3 - 4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8
Statement of fiduciary net assets - Agency Fund	9
Notes to financial statements	10 - 16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule:	
General Fund	17 - 18
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of debt retirement and annual interest requirements	19

## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Mason, Michigan**

**We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Mason, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.**

**We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.**

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Mason, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.**

**The budgetary comparison information, on pages 17 through 18, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Mason, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.**

Board of Trustees  
Township of Mason, Michigan  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Mason, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall P.C.*

June 22, 2007

## **BASIC FINANCIAL STATEMENTS**

**Township of Mason**  
**STATEMENT OF NET ASSETS**  
*March 31, 2007*

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	<b><u>Governmental activities</u></b>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 864,209
Receivables, net	<u>127,004</u>
Total current assets	<u>991,213</u>
Noncurrent assets:	
Receivables, net	806,145
Capital assets not being depreciated	72,571
Capital assets, net of accumulated depreciation	<u>1,657,932</u>
Total noncurrent assets	<u>2,536,648</u>
Total assets	<u>3,527,861</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	28,565
Contract payable	<u>57,640</u>
Total current liabilities	86,205
Noncurrent liabilities - contract payable	<u>1,377,596</u>
Total liabilities	<u>1,463,801</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	295,267
Restricted for debt service	1,379,968
Unrestricted	<u>388,825</u>
Total net assets	<u>\$ 2,064,060</u>

*See notes to financial statements*

**Township of Mason**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2007

	<u>Program revenues</u>				<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
<b>Functions/Programs</b>					
Governmental activities:					
Legislative	\$ 6,442	\$ -	\$ -	\$ -	\$ (6,442)
General government	125,248	26,883	-	6,792	(91,573)
Public safety	102,453	26,436	-	-	(76,017)
Public works	44,601	-	2,117	-	(42,484)
Community and economic development	12,475	2,826	-	-	(9,649)
Culture and recreation	1,195	-	-	-	(1,195)
Debt service - interest	62,861	96,806	-	32,400	66,345
 Total governmental activities	 <u>\$ 355,275</u>	 <u>\$ 152,951</u>	 <u>\$ 2,117</u>	 <u>\$ 39,192</u>	 <u>(161,015)</u>
 General revenues:					
Taxes					50,748
State grants					172,417
Franchise fees					5,285
Investment income					8,938
Other					<u>1,541</u>
 Total general revenues					<u>238,929</u>
 Change in net assets					77,914
 Net assets - beginning					<u>1,986,146</u>
 Net assets - ending					<u>\$ 2,064,060</u>

See notes to financial statements



**Township of Mason**  
**BALANCE SHEET - governmental funds**

March 31, 2007

	<u>General</u>	<u>Sewer Debt</u>	<u>Total governmental funds</u>
<b>ASSETS</b>			
Cash	\$ 343,771	\$ 520,438	\$ 864,209
Receivables	<u>47,516</u>	<u>869,702</u>	<u>917,218</u>
Total assets	<u>\$ 391,287</u>	<u>\$ 1,390,140</u>	<u>\$ 1,781,427</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payables	\$ 2,462	\$ -	\$ 2,462
Deferred revenue	<u>-</u>	<u>856,498</u>	<u>856,498</u>
Total liabilities	<u>2,462</u>	<u>856,498</u>	<u>858,960</u>
Fund balances:			
Unreserved:			
Designated	200,000	-	200,000
Undesignated	<u>188,825</u>	<u>533,642</u>	<u>722,467</u>
Total fund balances	<u>388,825</u>	<u>533,642</u>	<u>922,467</u>
Total liabilities and fund balances	<u>\$ 391,287</u>	<u>\$ 1,390,140</u>	<u>\$ 1,781,427</u>
Total fund balances - total governmental funds			\$ 922,467
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			1,730,503
Accrued interest are not current financial resources and, therefore, are not reported in the funds.			15,931
Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(1,435,236)
Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.			856,498
Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.			<u>(26,103)</u>
Net assets of <i>governmental activities</i>			<u>\$ 2,064,060</u>

See notes to financial statements

**Township of Mason**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - governmental funds**  
Year ended March 31, 2007

	<u>General</u>	<u>Sewer Debt</u>	<u>Total governmental funds</u>
<b>REVENUES</b>			
Taxes	\$ 68,560	\$ -	\$ 68,560
Licenses and permits	34,593	-	34,593
State grants	174,534	-	174,534
Charges for services	5,358	10,999	16,357
Interest and rentals	8,938	69,876	78,814
Other	5,208	92,750	97,958
Total revenues	<u>297,191</u>	<u>173,625</u>	<u>470,816</u>
<b>EXPENDITURES</b>			
Legislative	6,442	-	6,442
General government	109,741	-	109,741
Public safety	102,453	-	102,453
Public works	5,291	-	5,291
Community and economic development	12,475	-	12,475
Capital outlay	3,559	-	3,559
Debt service:			
Principal	-	57,640	57,640
Interest	-	63,822	63,822
Total expenditures	<u>239,961</u>	<u>121,462</u>	<u>361,423</u>
<b>NET CHANGES IN FUND BALANCES</b>	57,230	52,163	109,393
<b>FUND BALANCES - BEGINNING</b>	<u>331,595</u>	<u>481,479</u>	<u>813,074</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 388,825</u>	<u>\$ 533,642</u>	<u>\$ 922,467</u>
Net changes in fund balances - total governmental funds			\$ 109,393
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:			
Capital assets:			
Assets acquired			6,792
Provision for depreciation			(51,136)
Special assessments:			
Collections			(92,750)
New assessments			32,400
Long-term debt:			
Retirements			57,640
Other asset/liabilities:			
Net increase in accrued interest revenue			15,931
Net decrease in prepaid expenses			(1,317)
Net decrease in accrued interest expense			961
Change in net assets of <i>governmental activities</i>			<u>\$ 77,914</u>

See notes to financial statements

***Township of Mason***

**STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund***

*March 31, 2007*

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**ASSETS**

Cash	<u>\$ 837</u>
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**LIABILITIES**

Due to other governmental units	<u>\$ 837</u>
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*See notes to financial statements*

**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Mason, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Sewer Debt Fund accounts for the financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity (Continued):**

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

The Township includes shared road and water system improvement costs in the infrastructure assets of its governmental activities. These costs represent the Township's portion of public road improvements for roads that are owned by the Cass County Road Commission and water system improvements that are owned by the Cass County Department of Public Works.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	20 - 40 years
Buildings and improvements	20- 40 years
Equipment	3 - 5 years
Roads	30 years
Sewer lines	40 years

*v) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vi) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH:**

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 864,209	\$ 837	\$ 865,046

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2007, the Township had deposits with a carrying amount of \$865,046.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$581,447 of the Township's bank balances of \$866,509 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the government's individual major funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 12,438	\$ 6,999	\$ -	\$ 28,079	\$ 47,516
Sewer Debt	<u>5,335</u>	<u>-</u>	<u>864,367</u>	<u>-</u>	<u>869,702</u>
Totals	<u>\$ 17,773</u>	<u>\$ 6,999</u>	<u>\$ 864,367</u>	<u>\$ 28,079</u>	<u>\$ 917,218</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 806,145</u>	<u>\$ -</u>	<u>\$ 806,145</u>

All receivables are considered fully collectible.

**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 72,571	\$ -	\$ -	\$ 72,571
Capital assets being depreciated:				
Land improvements	29,238	-	-	29,238
Buildings and improvements	298,837	-	-	298,837
Equipment	16,281	6,792	-	23,073
Infrastructure - shared road costs	59,638	-	-	59,638
Intangible assets - sewer line	1,492,876	-	-	1,492,876
Subtotal	1,896,870	6,792	-	1,903,662
Less accumulated depreciation for:				
Land improvements	(10,320)	(1,949)	-	(12,269)
Buildings and improvements	(102,655)	(7,326)	-	(109,981)
Equipment	(10,526)	(2,551)	-	(13,077)
Infrastructure - shared road costs	(2,669)	(1,988)	-	(4,657)
Intangible assets - sewer line	(68,424)	(37,322)	-	(105,746)
Subtotal	(194,594)	(51,136)	-	(245,730)
Total capital assets being depreciated, net	1,702,276	(44,344)	-	1,657,932
Governmental activities capital assets, net	\$ 1,774,847	\$ (44,344)	\$ -	\$ 1,730,503

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 10,631
Public works	39,310
Culture and recreation	<u>1,195</u>
Total governmental activities	<u>\$ 51,136</u>



**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - LONG-TERM LIABILITIES:**

Long-term debt at March 31, 2007, is comprised of the following individual issues:

*Contracts payable:*

\$1,492,876 contracts payable, due to Cass County Department of Public Works payable in annual installments ranging from \$57,640 to \$86,460, plus interest at 4.00% to 4.90%; final payment due May 2024 \$ 1,435,236

Long-term liability activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Contracts payable	\$ 1,492,876	\$ -	\$ (57,640)	\$ 1,435,236	\$ 57,640

Debt service requirements at March 31, 2007, were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended March 31:		
2008	\$ 57,640	\$ 61,496
2009	60,522	59,133
2010	72,050	56,481
2011	72,050	53,599
2012	72,050	50,717
2013 - 2017	417,890	205,056
2018 - 2022	432,300	110,671
2023 - 2027	<u>250,734</u>	<u>17,811</u>
Totals	\$ 1,435,236	\$ 614,964

The Township is contingently liable for \$86,221 of outstanding water and sewer system contracts payable in excess of the amounts, which are to be repaid from collections of special assessments currently levied against properties within the Township. The Township has pledged its full faith and credit toward the total amounts due and anticipates that additional future assessments and other customer charges will be used to pay the contract liabilities.

**NOTE 7 - DEFERRED REVENUE:**

Governmental funds report deferred revenues in connection with revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenues consist of unavailable special assessments.

**Township of Mason**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - JOINT VENTURE:**

The Township has joined the Township of Porter in establishing a joint public safety authority (the authority) to provide fire protection services, emergency medical services, police protection, and related emergency health and safety services in the authority's area of operation, which includes the Township of Mason. The operations of the authority are financed by annual contributions within the participating units of government. During the year ended March 31, 2007, the Township contributed \$77,411 towards the authority's operations.

**NOTE 9 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 10 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended March 31, 2007, is as follows:

Revenues	\$ 26,435
Expenses	<u>(25,041)</u>
Excess of revenues over expenses	<u>\$ 1,394</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Mason**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 56,800	\$ 56,800	\$ 68,560	\$ 11,760
Licenses and permits	33,200	33,200	34,593	1,393
State grants	177,400	177,400	174,534	(2,866)
Charges for services	4,900	4,900	5,358	458
Interest and rentals	3,275	3,275	8,938	5,663
Other	13,550	13,550	5,208	(8,342)
Total revenues	<u>289,125</u>	<u>289,125</u>	<u>297,191</u>	<u>8,066</u>
<b>EXPENDITURES</b>				
Legislative	<u>7,238</u>	<u>7,239</u>	<u>6,442</u>	<u>797</u>
General government:				
Supervisor	8,239	8,240	8,236	4
Election	2,550	3,370	3,145	225
Assessor	14,175	14,175	12,820	1,355
Clerk	11,011	11,345	11,180	165
Board of review	1,148	1,408	1,362	46
Treasurer	17,420	17,844	15,522	2,322
Hall and grounds	20,420	21,845	18,742	3,103
Cemetery	6,115	6,354	5,300	1,054
Other	33,545	46,620	33,434	13,186
Total general government	<u>114,623</u>	<u>131,201</u>	<u>109,741</u>	<u>21,460</u>
Public safety:				
Fire/Ambulance	81,100	81,100	77,411	3,689
Building inspections	26,500	26,500	25,042	1,458
Total public safety	<u>107,600</u>	<u>107,600</u>	<u>102,453</u>	<u>5,147</u>
Public works:				
Highways and streets	41,193	14,807	1,764	13,043
Street lights	2,300	2,850	2,848	2
Sewer	750	750	679	71
Total public works	<u>44,243</u>	<u>18,407</u>	<u>5,291</u>	<u>13,116</u>

**Township of Mason****BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2007

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development - planning and zoning	<u>\$ 7,846</u>	<u>\$ 16,403</u>	<u>\$ 12,475</u>	<u>\$ 3,928</u>
Capital outlay	<u>3,075</u>	<u>3,775</u>	<u>3,559</u>	<u>216</u>
Total expenditures	<u>284,625</u>	<u>284,625</u>	<u>239,961</u>	<u>44,664</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>4,500</u>	<u>4,500</u>	<u>57,230</u>	<u>52,730</u>
<b>FUND BALANCES - BEGINNING</b>	<u>331,595</u>	<u>331,595</u>	<u>331,595</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 336,095</u>	<u>\$ 336,095</u>	<u>\$ 388,825</u>	<u>\$ 52,730</u>

## **SUPPLEMENTARY INFORMATION**

**Township of Mason****SCHEDULE OF ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS****\$1,492,876 2004 SEWAGE DISPOSAL SYSTEM CONTRACT PAYABLE**

March 31, 2007

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<u>Fiscal period</u>	<u>Interest rate</u>	<u>Interest</u>		<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
		<u>May 1</u>	<u>November 1</u>			
2008	4.00%	\$ 31,324	\$ 30,172	05/01/07	\$ 57,640	\$ 119,136
2009	4.00%	30,172	28,961	05/01/08	60,522	119,655
2010	4.00%	28,961	27,520	05/01/09	72,050	128,531
2011	4.00%	27,520	26,079	05/01/10	72,050	125,649
2012	4.00%	26,079	24,638	05/01/11	72,050	122,767
2013	4.00%	24,638	23,197	05/01/12	72,050	119,885
2014	4.00%	23,197	21,468	05/01/13	86,460	131,125
2015	4.10%	21,468	19,696	05/01/14	86,460	127,624
2016	4.25%	19,696	17,859	05/01/15	86,460	124,015
2017	4.35%	17,859	15,978	05/01/16	86,460	120,297
2018	4.45%	15,978	14,054	05/01/17	86,460	116,492
2019	4.55%	14,054	12,087	05/01/18	86,460	112,601
2020	4.60%	12,087	10,099	05/01/19	86,460	108,646
2021	4.65%	10,099	8,089	05/01/20	86,460	104,648
2022	4.75%	8,089	6,035	05/01/21	86,460	100,584
2023	4.75%	6,035	3,982	05/01/22	86,460	96,477
2024	4.80%	3,982	1,906	05/01/23	86,460	92,348
2025	4.90%	1,906	-	05/01/24	77,814	79,720
		<u>\$ 323,144</u>	<u>\$ 291,820</u>		<u>\$ 1,435,236</u>	<u>\$ 2,050,200</u>

**Members of the Township Board  
Township of Mason, Michigan**

In planning and performing our audit of the financial statements of the Township of Mason as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Mason's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Mason and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

June 22, 2007